



AMERICAN FARM BUREAU FEDERATION®

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July 7, 2003

Ms. Tess Butler
GIPSA, USDA
1400 Independence Ave., SW
Room 1647-S
Washington, D.C. 20250-3604

**RE: GIPSA Study on Marketing Methods in the Livestock and Red Meat Industries;
Federal Register Notice May 30, 2003, pages 32455-32458**

Dear Ms. Butler:

The American Farm Bureau Federation (AFBF) whose membership includes the majority of dairy, beef, swine, sheep, goat and other livestock producers in the United States is very concerned about the livestock marketing system in the United States as it directly affects many of our members.

AFBF believes that the basic framework outlined by GIPSA is appropriate. The framework provides the basic structure in which to undertake a study of this magnitude. However, AFBF believes that GIPSA should pursue several other areas of the livestock marketing chain that are of vital interest to those that sell livestock. Specifically, we request that GIPSA include in this study the following items:

- 1) The effects of packer ownership on market performance and price discovery.
- 2) The effects of "terms of contracts" on market performance and price discovery.
- 3) Clarify the distinction between captive supply and packer ownership.
- 4) How retail pricing affects the price received by the producer. This would also entail a thorough study of the factors influencing fluxuations in the farm-wholesale and farm-retail price spreads.
- 5) Possible ways to strengthen anti-trust laws so that they better protect producers from monopsony practices.
- 6) Investigate how packers use captive supplies to influence spot market prices and marketing contract prices. We recognize that regional and species differences exist pertaining to percentages of captive supplies and cash markets.
- 7) Investigate alternative pricing mechanisms which are not easily manipulated so that producers will have a more transparent and effective way to price livestock.

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There has been discussion about developing a Committee on Competitiveness within USDA. This Committee should consist of various agricultural organizations, more specifically those representing producers most affected by agricultural marketing practices. AFBF encourages USDA to establish such a committee and to have this committee play an integral part in the oversight of this study. In addition to the Peer Review Committee suggested by GIPSA this Competitiveness Committee could aid in providing GIPSA with guidance as to what aspects of the industry should be studied.

AFBF is also very concerned about the mechanics of the study. Numerous agricultural economists have done studies related to livestock marketing in the past decade. Through these studies these researchers have learned many valuable lessons about how to proceed with a study as extensive as the proposed study. A study that does not include these agriculture economists would most likely be lacking in substance and content. These economists need to be included as either researchers or on the peer review panel. Such economists as:

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- North Dakota State University
Department of Agribusiness and Applied Economics
Note: While remaining interested in all components of the study, of particular interest to the institution are Parts 1, 2 and 5.
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In addition, GIPSA already has experience with such studies. In 1996 GIPSA completed the study, "Concentration in the Red Meat Industry," commonly referred to as the "Red Book." The framework with which GIPSA went about obtaining researchers and overseeing the study was the correct way to do such a study. We encourage GIPSA to repeat this model as the successful way to proceed with this study.

While we do not oppose GIPSA utilizing university business schools as resources for this study we do caution that there is a difference between business economics and agricultural economics. Both can bring useful information to the table but livestock marketing is mainly an agricultural economic topic. As such agricultural economics should be the focus of the investigations. Allowing a business school to impose its approach upon the study of livestock marketing is likely to result in misinterpretation of data and the very real possibility of missing important details unique to agricultural markets.

AFBF appreciates this opportunity to submit these comments and we look forward to working with GIPSA as this study progresses.

Sincerely,



Richard W. Newpher
Executive Director
Public Policy